

## CHAPTER 4

### ADJUSTMENT PROCEDURES

#### A. REQUESTING ADJUSTMENTS

##### 1. Submission

a. All requests for adjustments will be forwarded to the billing office with the following exceptions:

(1) Requests for copies of interfund bills will be forwarded to the DAASO if the DAASO record retention period has not expired. See section G for additional information.

(2) Requests for adjustments of GSA billings, other than subparagraph (1) above, will be forwarded to the GSA central processing office (RI Code "GSA"). For adjustment purposes, this office is considered a "billing office". All requests for adjustments are to be forwarded via AU TODIN. Correspondence, if necessary, should be mailed to:

GSA Discrepancy Reports Center (6 FRB)  
1500 East Bannister Road  
Kansas City, Missouri 64131-3087

b. All requests for adjustments, including those related to FMS and reported to ILCOs under FMS ROD procedures (references (n) and (o)) will be forwarded to the billing office in the format prescribed for the billing advice code appropriate to the request. The formats are prescribed in the C series appendices.

c. All requests for adjustments will be submitted within 30 calendar days of billing. Exceptions to this requirement, where appropriate, are noted in other sections of this chapter. Initial requests for adjustment received after the record retention period for billing records will be denied.

d. Where AU TO DIN capability exists, all requests for adjustments will be forwarded to DAASO via AU TO DIN for further routing to the billing office.

##### 2. Minimum Value.

a. No request for adjustment will be submitted for non-FMS billing errors if the amount of the adjustment is:

(1) Less than \$100 and the billing office is GSA.

(2) Less than \$100 and the billing is for a subsistence item.

(3) Less than \$250 and subparagraphs (1)-(2) do not apply.

b. There is no minimum value for:

(1) Requesting a corrected bill when the bill received is incomplete (BAC "19"),

(2) Requesting status of required billing (BAC "34"),

(3) Requesting a copy of a bill (BAC "41"),

(4) Requesting **noninterfund** billing when the billing cannot be processed under interfund procedures (BAC "51").

(5) Requesting adjustments of FMS billing errors. However, the ILCOS or others may not submit FMS adjustment requests when the request can be rejected per the general conditions of the DD Form 1513, U.S. Department of Defense Offer and Acceptance.

#### B. CANCELLING OR AMENDING REQUESTS FOR ADJUSTMENT

1. Submitting offices will cancel requests for adjustments whenever the request is invalid or inappropriate and the billing office has not responded to the request.

2. If the billing office has responded to an invalid or inappropriate request with a billing status code in the "A," "D," or "E" series no further action is required. Submitting offices **will** forward a cancellation request (DI Code FAC, FDC, or FJC) **to the** billing office if a billing office response ("C" series **BSC**), considering the advice code forwarded, indicates that an adjustment is in process.

3. Requests for adjustments may be amended by canceling the original request and submitting a new request.

#### c. FOLLOWUP ON UNANSWERED REQUESTS FOR ADJUSTMENT OR MRP CREDIT

1. Additional **followup** to DAASO for copies of interfund bills, if needed, will be by letter, message, or telephone (AV 986-6395). **Followup** to DAASO may begin seven calendar days after the request is submitted.

2. Except for **followups** described in paragraph 1, offices submitting adjustment requests will follow up on requests for adjustments remaining unanswered for more than 45 calendar days after submission. The **followup** will be forwarded in the same manner as the initial request and in the DI Code FAF, FDF, or FJF format appropriate for the advice code. If the request for adjustment remains unanswered for more than 30 calendar days after **followup**,

submitting offices will forward a second and final **followup** by letter or message to the billing office. In addition to providing the billing office with the information required to process the request, the final followup will also identify the dates of initial and **followup** request.

3. Offices designated to receive MRP **credit** will follow up on the credit when the credit has not been received and more than 60 calendar days have elapsed since the material receipt status (DI Code **FTZ**), citing a credit status, is received. **Followup** (the initial request) will be in the DI Code FTP record format. A second DI Code FTP record will be submitted if a reply or credit is not received within 60 calendar days of the initial request.

4. Follow the procedures prescribed for noncompliance (see chapter 1) when:

a. Requests for adjustments or MRP credits remain unanswered for more than 30 calendar days after the second **followup**;

b. No interim response is received within 30 calendar days; and,

c. If an interim response was received, the date promised has **passed**.

D. PROCESSING ADJUSTMENTS AND REQUESTS FOR ADJUSTMENT OR MRP CREDIT

1. Adjustments, when warranted, will be at the price originally billed.

2. Billing offices will respond to all requests for adjustment within 30 calendar days of the date the request is submitted, via AU TO DIN in the DI Code FAR, FDR, or FJR format.

3. Billing offices will respond to all first **followup** requests for adjustment within 21 calendar days of the date the request is submitted and respond, via AU TODIN, in the DI Code FAS, FDS, or FJS format.

4. Billing offices will respond to second **followup** requests for adjustments and MRP credit by letter or message within 14 calendar days of receipt. If the request cannot be answered within the 14 days, the billing office will send an interim response by letter or message. The interim response will indicate the date, not to exceed 30 calendar days, a response will be forwarded by letter or message.

5. All responses to adjustment requests will be forwarded to the office designated by the recipient of billing status code. Adjustments will be forwarded to the office originally billed.

6. Billing offices will respond to initial requests and first **followup** for MRP credit in the DI Code **FTB** format. Responses will be

forwarded, via AU TO DIN, to the office designated by the materiel receipt status (DI Code FTZ).

E. INCOMPLETE BILL PROCEDURES

1. An incomplete bill is one in which the bill, either interfund (DI Code FS record) or non inter fund (SF 1080 or equivalent), is not fully supported by detail billing records or information, respectively.

2. Since the DAASO will not pass incomplete interfund bills to billed offices, a copy of the "incomplete" inter fund bill will first be requested from the DAASO. If DAASO is unable to provide the copy, a request citing BAC "19" will be forwarded to the billing office.

3. In addition to responding to the request, whenever the bill referred to is on file, billing offices will always provide a fully supported copy or corrected bill to the billed office.

F. BILLING STATUS PROCEDURES

1. When requisitioned materiel is received, intended billed offices must seek the status of the billing by forwarding a request for adjustment citing billing advice code "34". This is consistent with the concepts underlying DoD accounting theory and practice as prescribed in chapter 11 of the DoD Accounting Manual (reference (i)). Except as provided in paragraph 2, if materiel was not requisitioned or if requisitioned materiel was not received, discrepancy report procedures rather than MI LSBILLS procedures apply. Contact the local supply or requisitioning office for appropriate procedures.

2. When shipment status is received for requisitioned materiel and the materiel can be billed only upon evidence of constructive delivery, intended billed offices should seek the status of the billing by forwarding a request for adjustment citing billing advice code "35. " Billing offices will generate the appropriate billing when properly completed requests are received and billing is awaiting evidence of constructive delivery. Billing offices will also initiate appropriate actions with their supply office to identify and resolve problems associated with this condition.

3. At least 60 calendar days must have elapsed after receiving the materiel or, in the case of FMS shipments, shipment status before requesting the status of the bill. However, the status must be requested within a year of the date of shipment (two years for FMS shipments). Billing offices will deny requests for status which are not submitted within these timeframes.

4. When the request for billing status involves fuels and is forwarded to the DFSC (RI Code S9F), the request will be mailed and will identify the supply source. If the supply source is a DFSP, provide the Do DAAC of the DFSP. If the supply source is a contractor, including contractor into-plane, provide the contract number.

5. Except for billings awaiting evidence of shipment or receipt, billing offices will not generate bills based solely upon a request for billing status.

6. DoD policy (chapter 41 of reference (i)) has allowances for writing off unbilled liabilities and deobligating the related obligation when an invoice has not been received within 180 days from the date of acceptable final performance and there is documentation on file that at least two written requests for an invoice have been made. Refer to the reference for other conditions which must be met, such as establishing a reserve for-late bills.

G. BILL COPY PROCEDURES

1. Requests for copies of inter fund bills will be forwarded to the DAASO if the DAASO record retention period has not expired. The request will be forwarded, via "A UT ODIN, in the DI Code QB1 format, by mail or message using CIC "IF FBB ". When forwarded via AU TODIN, the record will be sent to COMM RI "RUE E0ZZA"; when mailed, it will be addressed to:

Defense Automatic Addressing System Office  
AT TN: DAAS-VL  
Gentile Air Force Station  
Dayton, OH 45444-5320

The DAASO will accept telephone requests (Autovon 986-6395) for copies. Telephone requests will be limited to no more than five bills.

2. DAASO will retransmit a copy of all inter fund bills wherein the billing office Do DAAC, bill number, and year within decade and month of credit match the same information on the request.

3. DAASO will send a service message to the originator when DAASO is unable to retransmit a requested bill.

4. If the DAASO responds that it has no record of the bill, the originator will review the request for correctness. If the request (DI Code QB1) is found to have been incorrect, the originator will forward a corrected request to the DAASO. Otherwise, the originator will forward a request, in the DI Code FAE or FJE format prescribed for BAC "41, " to the billing office.

5. Requests for copies of noninterfund bills will always be forwarded to the billing office, via AU TO DIN when available, in the DI Code FAE or FJE format prescribed for BAC "41. "

6. Billing offices failing to respond to requests for copies of inter fund bills, when such requests are received within the record retention period, will be directed by their Service or Agency headquarters to reverse the billing. Billed offices will absorb all charges, in the manner prescribed by their service or Agency, when

the record retention period has elapsed and they have failed to obtain copies of bills.

7. Billing offices are not required to provide detail billing records using EAM cards to DoD Components in support of a non inter-fund billing or in response to a request for a copy of an inter fund bill.

#### H. REQUEST REBILLING UNDER NO NINTERFUND PROCEDURES

1. When a billed office is unable to process a billing record under inter fund procedures, the billed office may have the item or items billed under non inter fund procedures by forwarding a request for billing adjustment citing BAC "51."

2. Use of this billing advice code is an admission by the billed office that the requisition was incorrectly coded. Refer to the section on billing errors if the requisition was improperly billed under inter fund procedures.

3. Requests citing BAC "51" may be submitted only when the funds involved may not be disbursed under inter fund procedures. All such requests, submitted in accordance with procedures prescribed in this chapter, will be honored by the billing office.

#### I. ADJUSTMENTS FOR DISCREPANCY REPORTS

1. Discrepancy reports will be submitted, reviewed, processed, validated, and responded to in accordance with procedures prescribed for the discrepancy:

Transportation Discrepancies (reference (p))  
Item and Packaging Discrepancies (reference (q))  
Discrepancy Reports Against FMS Shipments (reference (o))  
Quality Deficiencies Across Component Lines (reference (r))

2. Financial adjustments related to discrepancy reports will be processed in accordance with this manual.

3. Billing offices will process financial adjustments when the discrepancy report is validated and all of the following MILSBILLS or GSA criteria are met:

a. The discrepancy was not resolved otherwise; e.g., the vendor **does** not replace deficient materiel for a validated QDR.

b. The materiel was billed and paid previously.

c. The materiel is received by the depot in those cases where the discrepancy report reply requires the return.

d. The TDR exceeds \$25 per line (DBR) or the ROD exceeds \$50 Per line (DBR) for discrepancies involving GSA shipments. There is

no minimum adjustment level on PQDRs. This policy applies only to GSA directed shipments. There are no dollar value limitations for discrepancies involving DoD shipments.

e. The discrepancy report for a GSA shipment is received by GSA, except when extenuating circumstances or high dollar value warrants special consideration, within the following timeframes:

(1) Within one year of the date of shipment for quality deficiencies (QDRs) except:

(a) For items under warranty which must be received within the time limits prescribed in the individual warranty.

(b) For shelf-life items which must be received prior to the expiration of the shelf-life period and within one year of the date of shipment.

(2) Within 180 calendar days of the date of shipment for other than quality deficiencies except for:

(a) Shipments to MAP consignees, which must be received within 18 months of the date of shipment; and

(b) Shipments to consignees located in the CON US, Hawaii, the Commonwealth of Puerto Rico, the Virgin Islands, the southeast peninsula of Alaska, central Alaska (rail belt), and Kodiak Island, which must be received within 120 days of the date of shipment.

4. When a reply to a discrepancy report improperly commits the billing office to providing an adjustment; e. g., shipment was never billed, the billing office will ask the replying office to correct the reply to the discrepancy report.

5. Requests for adjustments related to TDRs (BAC "21") will not be submitted unless the adjustment is not received and more than 60 calendar days have elapsed since the report was filed.

6. Requests related to PQDRs (BAC "24") and RODS (BAC "26") will not be submitted until a minimum of 60 calendar days have elapsed since receiving notification that the discrepancy is validated; that is, that an adjustment is approved. When the adjustment is contingent upon the return of materiel, the request will not be submitted until a minimum of 60 calendar days have elapsed since shipping the materiel.

## J. ADJUSTMENTS FOR BILLING ERRORS

1. The following adjustments are considered billing errors and will not be accepted for processing if the minimum value criterion

for requesting adjustments is not met:

Duplicates  
Wrong amount billed  
**Wrong** office billed  
Improper bill  
Promised adjustment not received  
Other problems

2. Duplicates

a. Duplicate detail billing record

(1) A second or subsequent detail billing record for a single shipment or adjustment. If the second or subsequent billing resulted from a second or subsequent shipment, MI **LSBILLS** adjustment procedures do not apply. See instead discrepancy report procedures for duplicate shipments (references (o) and (q)).

(2) To obtain adjustment for duplicate detail billing records not previously adjusted by the billing office, submit a separate request (DI Code FAE or FJE) for each duplicated billing record in the format prescribed for BAC "11." Follow subparagraph b if all of the DBRs on the bill are duplicates of previous billings.

b. Duplicate **bill**

(1) A bill, either inter fund or non inter fund (SF 1080 or equivalent), wherein **the** bill is supported entirely by duplicate detail billing records. In the case of inter fund bills, the **bill** is also included on the billing office's inter fund report.

(2) Adjustments for duplicate bills may be requested only upon confirmation that the bills (original and duplicate) were, in fact, reported to the buying service's CAO. To obtain an adjustment, submit a request (DI Code FDE) for each duplicated bill in the format prescribed for:

(a) BAC "42" when the bill is identical, including the bill number, to a previous bill.

(b) BAC "43" when, except for the bill number, the bill is identical to a previous bill.

(c) BAC "44" when all of the supporting detail billing records of one bill are included on another bill. The bill containing such **DBRs**, **all** of which are included on another **bill**, is considered the duplicate bill. The bill numbers may or may not be the same.



### 3. Wrong Amount Billed

a. A wrong amount billed refers to a detail billing record in which the unit price, quantity, or price extension is erroneous. The error may be in either direction and **will** be reported in the **DI** Code FAE or FJE format prescribed for BAC "12."

b. Do not request adjustment for wrong amount if:

(1) The unit price is the standard or catalog price and you are questioning the price. Follow price challenge procedures described in section 0 instead.

(2) The extension does not agree with the amount billed and Sales Price Condition Code "B" is indicated. In this case, the unit price shown on the billing record is the inventory carrying value, the standard unit price. The billing unit price, if needed, must be computed.

(3) The quantity billed equals the quantity ordered or shipped and a lesser quantity is received. Follow the appropriate discrepancy reporting procedure instead.

### 4. Wrong Office Billed

a. Request an adjustment for wrong office billed when the office billed does not agree with the coded requirements of the requisition and the coding indicates a valid **billed** office DoDAAC; that is, one listed in the DoDAAD (reference **(e)**), or when the **billed** office for adjustments differ from the office originally billed.

b. If the coded information on the billing record used to derive the billed office differs from the same information provided on the requisition, the request must be sent by letter or message and include this point as well as the information prescribed for requests citing BAC "13." If the billing was prepared in accordance with the requisition or modification received by the ICP or **IMM**, the request will be denied.

c. If the coded information used to derive the billing office does not provide for a valid **DoDAAC** and the billing office assigned the **billed** office as prescribed in chapter 2, adjustment will be denied.

d. When the billing office assigned the billed office as prescribed in chapter 2 and the office assigned is not the intended office, the billed office will transfer or otherwise process the bill in accordance with procedures prescribed by the Service or Agency. If the offices involved are not part of the same Service or Agency, the billed office will contact the intended billed office or requisitioner and make arrangements for transferring the bill. When satisfactory arrangements for transferring the bill cannot be

made, the billed office will follow procedures in chapter 1 for unre - ' -  
solved problems.

5. Improper Billing

a. Definition. For purposes of this section, an improper billing is one wherein a detailed billing record is received:

(1) Charging for materiel requisitioned under nonreim -  
bursable procedures;

(2) Charging improperly for accessorial costs;

(3) Billing for materiel when the materiel is not re-  
ceived and cancellation of the requisition by the ICP or IMM was  
confirmed;

(4) Billing for materiel when the materiel is not re-  
ceived and the ICP or IMM advised that the materiel was backordered;

(5) Following billing office reply that a billing could  
not be rendered; and

(6) Under interfund procedures when the coding of the  
requisition or excess report, in conjunction with MILSBILLS proce-  
dures, require billing under non inter fund procedures.

b. Nonreimbursable. Forward a request for adjustment in the  
format prescribed for BAC "14" when the coding of the requisition  
indicates that the materiel was requisitioned under nonreimbursable  
procedures and a billing was received.

c. Accessorial. A request for adjustment in the format pre-  
scribed" for BAC "15" will be forwarded whenever accessorial costs  
are charged and the charges are not in accordance with chapter 2.  
Requests for adjustments of below-the-line accessorial charges on FMS  
billings prepared by the SAAC will be processed in accordance with  
procedures prescribed in the FMS Financial Manual (reference (n)).

d. Cancelled. When a billing for materiel is received on a  
requisition which was confirmed cancelled by the ICP or IMM and the  
materiel is not received, a request for adjustment in the format  
prescribed for BAC "17" will be forwarded to the billing office.  
When the materiel was received or if the requisition was not  
confirmed cancelled by the ICP or IMM, MILSBILLS procedures do not  
apply. Follow instead procedures prescribed for reporting RODS.  
Although annotations on a shipping document, in conjunction with  
other factors, may support a discrepancy report, they do not support  
an adjustment for improper billing. A validated discrepancy report  
is needed.

M. CREDITS FOR EXCESS REPORTS (MATERIEL RETURNS PROGRAM)

1. Materiel returns program (MRP) procedures are prescribed by MILSTRIP (reference (s)).

2. Billing offices will process credits for excess reports during the first billing cycle after receiving notification that materiel, authorized for return under creditable procedures, has been received in a condition warranting credit. The credit will be processed in the DI Code FD1/2 format.

3. MRP credits will be processed at the standard price in effect at the time of receipt or at a reduced price if, in the opinion of the IMM, the condition warrants such reduction.

N. DISPUTED RESPONSES TO REQUESTS FOR ADJUSTMENT

Billing and billed offices are expected to resolve their differences regarding adjustment requests. However, when a billed office does not agree with a billing office's response and the billed office considers the amounts involved significant, the billed office may consider the dispute an unresolved problem and follow the procedures prescribed in chapter 1.

O. PRICE CHALLENGES  
(Under development)